

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6744

BILL NUMBER: HB 1111

NOTE PREPARED: Dec 30, 2008

BILL AMENDED:

SUBJECT: Sales Tax on Spring Water.

FIRST AUTHOR: Rep. Ruppel

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that sales of natural spring water are exempt from Sales Tax.

Effective Date: July 1, 2009.

Explanation of State Expenditures: This bill will result in an increase in administrative costs for the Department of State Revenue (DOR) by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the exemption. It is estimated that the DOR will be able implement this provision with its existing level of resources.

Explanation of State Revenues: Summary- It is estimated that exempting all natural spring water could potentially decrease state Sales Tax revenue by \$3.4 M in FY 2010 and \$4 M in FY 2011. The estimate for FY 2010 is adjusted to reflect 11 months of remittances that will be affected due to the July 1, 2009, effective date.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Background Information- The provisions of this bill apply only to natural spring water. Other sources of drinking water still remain taxable under the bill. The FDA reports that: "about 75 percent of bottled water sold in the U.S. comes from natural underground sources, which include rivers, lakes, springs and artesian wells." The other 25% comes from municipal sources, which are the "sources" of two leading brands of bottled water - Dasani and Aquafina. The estimated revenue loss is based on the assumption that spring water

accounts for 18.75% of drinking water.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: Beverage Marketing Corporation. *www.bottledwater.org/public/Stats_2007.doc*

Fiscal Analyst: Diana Agidi, 317-232-9867 .